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No recession, India will grow: FM



New Delhi: India faces a difficult situation because of the global financial crisis and may even witness a slowdown, but its economy was nowhere near a recession, Finance Minister P. Chidambaram said here Monday.

"A recession is defined as two successive quarters of contraction of GDP. I wish to emphasise that India is nowhere near a recession," Chidambaram told the annual Economic Editor's Conference.

He said the financial crisis that has enveloped the world since 2007 had become worse with many rich nations like Germany, Japan, Britain and the Netherlands officially in recession, and many more, including the US and France, expected to join them soon.

"In our view, we may expect a moderation in growth rate in the current year to a level between 7 and 8 percent. But India would still be the second fastest growing, large economy in the world," Chidambaram added.

India still faces a difficult situation, he said but promised every possible fiscal and monetary measure to contain the impact of the global crisis on the domestic economy.

According to the finance minister, sectors like manufacturing, communications, trade, agriculture and construction that have been the major drivers of the Indian economy in the past, were likely to see a moderation of growth.

As a result, India needed more investment and quicker implementation of projects covering roads, ports, airports, power, education, health and skill development to spur growth, he said.

"Increasing expenditure in the infrastructure sector is an important part of the counter cyclical measures that are being contemplated to address the impact of the global slowdown," he said.

"On the whole, the general outlook continues to be one of cautious optimism."

Chidambaram also said that while the previous NDA government was claiming high economic growth rate during its regime, the reality was far removed.

"At best, the growth rate during that period was modest. In particular, 2002-03 recorded the lowest growth rate after the beginning of the reforms in 1991-92," he said, while listing the growth rates since 1997-98.

"As a consequence, the growth rate in 2003-04 appears impressive. But what is important is the average for that period. The average was only 5.7 percent."

The finance minister said India's external sector, too, continued to be robust and reflected the strengths of the economy in 2007-08.

"In the current fiscal, merchandise trade data is available for April-September 2008. Exports and imports have registered an impressive growth of 30.9 percent and 38.6 percent, respectively," he said.

He said there was a deceleration, but that was being addressed by diversifying exports to other markets.

"For example, during the first quarter of this financial year there has been an increase in the share of India's exports to China, Singapore, the Netherlands and Saudi Arabia."

Chidambaram said interest rates may soften further and also made a case for revisiting reforms to make the economy more competitive.

"If the rate of inflation continues to decline, policy rates may also moderate and the bias in favour of growth may deepen... RBI's policy is now biased towards stimulating growth," he said.

Source: Indo-Asian News Service